

**RESERVE BANK OF INDIA**  
**Foreign Exchange Department**  
**Central Office**  
**Mumbai - 400 001**

**RBI/2012-13/247**

**A. P. (DIR Series) Circular No. 44**

**October 12, 2012**

To,

All Category-I Authorised Dealer banks and Authorised banks

Madam / Sir,

**Foreign Exchange Management (Deposit) Regulations, 2000-  
Loans to Non Residents / third parties against security of Non Resident  
(External) Rupee Accounts [NR (E) RA] / Foreign Currency Non Resident  
(Bank) Accounts [FCNR (B)] Deposits**

Attention of Authorised Dealer Category-I banks and Authorised banks (the banks) is invited to Para 6 of Schedule 1 and Para 9 of Schedule 2 to Foreign Exchange Management (Deposit) Regulations, 2000 notified vide [Notification No.FEMA 5/2000-RB dated May 3, 2000](#), as amended from time to time regarding loans against security of funds held in deposit accounts. Further, attention of the banks is also invited to [A. P. \(DIR Series\) Circular No.66 dated April 28, 2009](#) in terms of which it was decided to enhance the then existing cap of Rs.20 lakh to Rs.100 lakh on loans against security of funds held in NR(E)RA and FCNR(B) deposits either to the depositors or third parties.

2. The Committee to review the facilities for individuals under FEMA, 1999 (Chairperson: Smt. K.J.Udeshi) has recommended that the banks may sanction Rupee loans in India or foreign currency loans outside India to either the account holder or a third party to the extent of the balance in the NRE/FCNR (B) account subject to margin requirements. The existing position in this regard has been reviewed and it has been decided, in exercise of powers under paragraph 6(d) of Schedule-1 read with para 9(1) of Schedule-2 of the Foreign Exchange Management (Deposit) Regulations, 2000, that the banks may now grant loans against NR(E)RA and FCNR(B) deposits either to the depositors or the third parties as under:-

	Existing provision	Proposed provision
<b>Rupee loans* in India</b>		
Loans against NRE/FCNR(B) Fixed Deposits	Rs. 100 lakhs ceiling applicable	Rupee loans to be allowed to depositor/third party without any ceiling subject to usual margin requirements**
<b>Foreign Currency loan* in India/ outside India</b>		
Loans against NRE/FCNR(B) Fixed Deposits	Rs. 100 lakhs ceiling applicable	Foreign Currency loans to be allowed to depositor/third party without any ceiling subject to usual margin requirements **

\* The term 'loan' shall include all types of fund based/non-fund based facilities.

\*\* In case of FCNR deposits, the margin requirement shall be notionally calculated on the rupee equivalent of the deposits in accordance with para 9(2) of Schedule-2 of Foreign Exchange Management (Deposit) Regulations, 2000.

Further, the facility of premature withdrawal of NRE/FCNR deposits shall not be available where loans against such deposits are to be availed of. This requirement may specifically be brought to the notice of the deposit holder at the time of sanction of the loan. The existing loans which are not in conformity with the above instructions shall continue for their existing term and shall not be rolled over/renewed. Other conditions as regards grant of loan against NRE/FCNR deposits shall remain unchanged.

3. The above instructions shall come into force with immediate effect. The banks may bring contents of this circular to the notice of their constituents and customers concerned.

4. The directions contained in this circular have been issued under sections 10(4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

**(Rudra Narayan Kar)**  
Chief General Manager